

## PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



February 29, 2008

TO ALL CLASS B, C, AND D WATER AND SEWER UTILITIES

Subject: Rate Adjustments due to CPI-U Increase for 2007

On March 31, 1992, the Commission issued Decision 92-03-093, authorizing Class C and D water utilities to file each year by advice letter for a rate increase based on the most recent year-end increase in the Consumer Price Index for All Urban Consumers (CPI-U).<sup>1</sup> Subsequent resolutions (Res.) W-4493<sup>2</sup>, Res. W-4540<sup>3</sup>, authorized sewer and Class B water utilities to file a CPI-U advice letter each year.

**The CPI-U increase for 2007 is 4.1%.**

Any Class B, C, and D water utility, and sewer utility that is presently earning a lower rate of return (ROR) than its most recently authorized and is not presently subject to a test year, attrition year, or other general rate increase, is authorized to file for a CPI-U increase once each year, by advice letter. If your utility missed filing a CPI-U for one year, it **may not file retroactively** for that CPI-U in the following year.

Please follow the Summary of Earnings (SOE) format shown in Attachment 1 to determine your authorized and actual ROR. You would then compare these RORs to determine if the actual is less than or greater than authorized.

Please file an advice letter (in accordance with General Order 96-B) requesting a CPI-U increase, **only** if the ROR based on actual revenues **does not** exceed the authorized ROR and if the projected revenues (with the CPI-U increase) **do not exceed** the authorized ROR. Please follow the following procedures when filing:

1. File an advice letter similar to that shown in Attachment 2.
2. Publish a notice similar to Attachment 3 in a newspaper of general circulation in your area. At your discretion, you may notify your customers by including similar working in a bill insert.
3. Provide copies of the revised tariff schedules to reflect the increase that you are requesting (see Attachment 4 for examples).
4. Increase each quantity rate as well as the service charge by **4.1%**, the CPI-U increase for 2007.

<sup>1</sup> Announced by the Bureau of Labor Statistics, U.S. Department of Labor.

<sup>2</sup> September 2, 2004.

<sup>3</sup> June 16, 2005.

5. Provide a copy of the SOE in which you calculate the authorized versus actual RORs, utilizing the following actual data:

- a. Actual Revenues for 2007
- b. Estimate of increased revenues (apply the 4.1% CPI-U inflation factor to actual revenues for 2007).
- c. Actual Expenses for 2007. Provide actual individual expenses for 2007, based on the line item accounts as they appear in your last General Rate Case (GRC) Summary of Earnings.
- d. Estimate of Rate Base, showing additions and removals since the last GRC.
- e. Provide a copy of the 2006 Annual Report if your CPI-U advice letter is filed before March 31, 2008.
- f. Provide a copy of the 2007 Annual Report if your CPI-U advice letter is filed after March 31, 2008.

If you have any questions, please feel free to contact Sean Wilson at [smw@cpuc.ca.gov](mailto:smw@cpuc.ca.gov) or (415) 703-1818.

Sincerely,

A handwritten signature in dark ink, appearing to read "Rami Kahlon". The signature is fluid and cursive, with the first name "Rami" and last name "Kahlon" clearly distinguishable.

Rami Kahlon, Director  
Division of Water and Audits

Attachments

**ATTACHMENT 1**  
**ABC Water/Sewer Utility Company, Inc.**

**Summary of Earnings**

<b>Category</b>	<b>Adopted Res. W-0000</b>	<b>Actual 2006</b>	<b>CPI Increase at 2.5%</b>	<b>After Increased Revenues</b>
<b><u>Operating Revenues:</u></b>				
Flat Rate	208,181	187,363	5,205	192,567
Metered	3,706	3,595	93	3,687
Private Fire Protection	1,203	1,167	30	1,197
Total	213,090	192,125	5,327	197,452
<b><u>Operating Expenses</u></b>				
Purchased Water	-	-		-
Purchased Power	16,529	16,529		16,529
Purchased Chemicals	-	-		-
Other Volume Related Expenses	700	746		746
Employee Labor	7,300	7,775		7,775
Materials	7,106	7,568		7,568
Contract Work	7,443	7,927		7,927
Water Testing	-	-		-
Transportation Expense	8,973	9,556		9,556
Other Plant Maintenance Expense	308	328		328
Office Salaries	3,600	3,834		3,834
Management Salaries	24,190	24,190		24,190
Employee Pension and Benefits	7,592	8,085		8,085
Uncollectibles	55	59		59
Office Service & Rentals	3,240	3,451		3,451
Office Supplies & Expenses	5,198	5,536		5,536
Professional Services	1,956	2,083		2,083
Insurance	8,065	8,589		8,589
Regulatory Commission Exp.	1,055	1,124		1,124
General Expenses	2,289	2,438		2,438
minus expenses capitalized	-	-		-
Total Operating Expenses	105,599	109,816		109,816
<b><u>Deductions</u></b>				
Depreciation	20,246	20,853		20,853
Property Tax	4,333	4,463		4,463
Payroll Tax	1,799	1,853		1,853
Taxes Other Than Income	1,987	2,047		2,047
Total Deductions	28,365	29,216		29,216
<b>Total Expenses including Deductions</b>	<b>133,964</b>	<b>139,032</b>		<b>139,032</b>
<b>Net income before taxes</b>	<b>79,126</b>	<b>53,092</b>		<b>58,420</b>
<b>State Income Tax</b>	<b>6,648</b>	<b>6,300</b>		<b>6,300</b>
<b>Federal Income Tax</b>	<b>13,118</b>	<b>1,200</b>		
<b>Net Revenue</b>	<b>59,360</b>	<b>46,792</b>		<b>52,120</b>
<b>State Income Tax</b>				
<b>Rate Base:</b>				
Average Plant	815,647	825,000		825,000
Average Depr. Res.	(331,355)	(332,200)		(332,200)
Net Plant	484,292	492,800		492,800
Less: Advances/Contributions	(23,232)	(23,800)		(23,800)
Add: Materials and Supplies	4,560	4,700		4,700
<b>Rate Base</b>	<b>465,620</b>	<b>473,700</b>		<b>473,700</b>
<b>Rate of Return</b>	<b>12.75%</b>	<b>9.88%</b>		<b>11.00%</b>

Authorized Rate of Return (ROR) = 12.75%  
Actual Rate of Return (ROR) = 9.88%

Since ROR of 11.00 % based on increased revenues is less than adopted ROR of 12.75% , CPI should be granted

**Attachment 2**  
**EXAMPLE OF AN ADVICE LETTER**

\_\_\_\_\_ **Water (or Sewer) Company**

\_\_\_\_\_ **County**

Advice Letter No. \_\_\_\_\_

TO THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

\_\_\_\_\_ Water (or Sewer) Company hereby transmits for filing the following changes in its tariff schedules which are attached hereto:

Cal. P.U.C.

Sheet No.

Title Sheet

Cancelling

Sheet No.

\_\_\_\_\_ Schedule No. \_\_\_\_\_, General Metered Service

\_\_\_\_\_ Schedule No. \_\_\_\_\_, Flat Rate Service

\_\_\_\_\_ Table of Contents

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

The present rates became effective on \_\_\_\_\_, 19(20)\_\_\_\_, pursuant to Resolution W-\_\_\_\_\_, which authorized an offset rate increase of \$ \_\_\_\_\_ or \_\_\_\_\_%.

The last general rate increase became effective \_\_\_\_\_, 19(20)\_\_\_\_, pursuant to Resolution W-\_\_\_\_\_, which authorized a general rate increase of \_\_\_\_\_ or \_\_\_\_\_%, and a rate of return of \_\_\_\_\_%.

These tariffs are submitted pursuant to Ordering Paragraph No.1 of Decision No. 92-03-093, dated March 31, 1992, Ordering Paragraph No.2 of Resolution (Res.) W-4493, dated September 2, 2004, or Ordering paragraph No. 1 of Res. W-4540, dated June 16, 2005. The decision and resolutions authorize Class B, C, and D water utilities and sewer utilities to file a request for a Consumer Price Index increase once a year by advice letter. The increase is to be passed on to the utility's customers in their quantity rate and service charge. The above referenced decision and resolutions authorize \_\_\_\_\_ Water (or Sewer) Company to file the attached rate schedules and to concurrently withdraw and cancel its present schedules for such service.

\_\_\_\_\_ Water (or Sewer) Company requests permission to increase its revenues (based on increase to the present monthly quantity rate and service charge) by 4.1%, the CPI-U for 2007. This projected revenue increase of \$ \_\_\_\_\_ will not result in a rate of return which exceeds the authorized rate of return of \_\_\_\_\_%. Workpapers justifying this increase have been provided to the CPIC Division of Water and Audits staff.

This filing is made under the provisions of General Order No. 96-B.

\_\_\_\_\_ Water (or Sewer) Company has given public notice of this request by publishing a notice in a local newspaper of general circulation. A copy of the notice is attached.

This filing will not cause withdrawal of service, nor conflict with any other schedule or rule.

\_\_\_\_\_ Water (or Sewer) Company

By: \_\_\_\_\_  
Title



**Attachment 3**  
**EXAMPLE OF A NOTICE TO CUSTOMERS**

**NOTICE TO CUSTOMERS  
OF THE PROPOSED RATE INCREASE**

\_\_\_\_\_ Water (or Sewer) Company has requested authority from the California Public Utilities Commission to increase its water rates by \$ \_\_\_\_\_, or 4.1%, the Consumer Price Index adjustment for 2007. Provision for this increase is authorized by Commission Decision 92-03-093, Resolution (Res.) W-4493, or Res. W-4540. The resulting rates will not result in a rate of return in excess of that last found reasonable for \_\_\_\_\_ water (or Sewer) Company.

The present rates have been in effect since \_\_\_\_\_, 19(20 \_\_\_\_).

The company proposes to increase rates as follows:

**Metered Service:**

**Service Charge:**

	<u>Present Rates</u>	<u>Per Meter Per Month Proposed Rates</u>	<u>Bi-Monthly* Surcharge</u>
For 5/8 x 3/4 –inch meter.....\$ _____		\$ _____	\$ _____
For 3/4 –inch meter.....\$ _____		\$ _____	\$ _____
For 1 –inch meter.....\$ _____		\$ _____	\$ _____

**Quantity Rate:**

All Water, per 100 cu. ft.....\$ \_\_\_\_\_ \$ \_\_\_\_\_

The service charge is a readiness to serve charge which is applicable to all metered service and to which is added the monthly Quantity Rate charge.

\*The Safe Drinking Water Bond Act surcharge remains the same.

California law requires the company to show, to the Commission's satisfaction, that an increase is justified, before it may raise rates. Customers who would like to call the Commission's attention to any problems concerning their water service or who would like to provide any other information or comments regarding this requested increase should write to the Commission at the following address:

California Public Utilities Commission  
Division of Water and Audits  
505 Van Ness Avenue, Room 3102  
San Francisco, CA 94102

Comments should mention that they pertain to \_\_\_\_\_ Water (or Sewer) Company and must be sent no later than twenty (20) days after the date this notice was sent or the date of publication of this notice.

ANY WATER COMPANY  
County

Cal. P.U.C. Sheet No. \_\_\_\_\_

Canceling \_\_\_\_\_

Cal. P.U.C. Sheet No. \_\_\_\_\_

TABLE OF CONTENTS

The following listed tariff sheets contain all effective rates and affecting rates and service of the utility, together with information relating thereto:

<u>Subject Matter of Sheet</u>	<u>Cal. P.U.C. Sheet No.</u>	
Title Page	1-W	
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No. 2 Description of Service	14-W	
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(continued)

(To be inserted by utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. \_\_\_\_\_

NAME

Date Filed \_\_\_\_\_

Decision No. 92-03-093

TITLE

Effective \_\_\_\_\_

Resolution No. \_\_\_\_\_

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all water service furnished on a metered basis.

TERRITORY

Any Water and vicinity, on the northwest shore of Lake Tahoe, Placer County.

RATES

Quantity Rate:	Per Meter Per Month	
Per 100 cu.ft. ....	\$ 0.68	(I)
Service Charge:		
For 5/8 x 3/4-inch meters .....	8.90	(I)
For 3/4-inch meters .....	9.70	
For 1-inch meters .....	13.10	
For 1-1/2-inch meters .....	17.60	
For 2-inch meters .....	23.50	(I)

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the monthly charge computed at the Quantity Rate.

SPECIAL CONDITIONS

1. As authorized by the California Public Utilities Commission pursuant to Resolution W-3784, all bills are subject to a one-time surcharge of \$2.48. This charge offsets the Department of Health Services fee as billed to Any Water Company for the fiscal year 1993-1994.
2. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

(continued)

(To be inserted by utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. \_\_\_\_\_

Decision No. 92-03-093

NAME

TITLE

Date Filed \_\_\_\_\_

Effective \_\_\_\_\_

Resolution No. \_\_\_\_\_

Schedule No. 2A

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential water service furnished on an annual basis.

TERRITORY

Tract No. 123, and vicinity, approximately 3 miles southwest of the city of Normala in Sonoma County.

RATES

Annual Flat Rate

Residential use, payable in advance on or before  
January 1 of each year.....\$225.49 (I)

SPECIAL CONDITIONS

1. As authorized by the California Public Utilities Commission pursuant to Resolution W-3784, all bills are subject to a one-time surcharge of \$2.48. This charge offsets the Department of Health Services fee as billed to Any Water Company for the fiscal year 1993-1994. (N)
2. All bills are subject to the reimbursement fee set forth on Schedule No. UF. (L)

(To be inserted by utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. \_\_\_\_\_

NAME

Date Filed \_\_\_\_\_

Decision No. 92-03-093

TITLE

Effective \_\_\_\_\_

Resolution No. \_\_\_\_\_